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House Unit Finds Holes in McNamara Savings

A congressional committee has ripped gaping holes in Defense Secretary Robert S. McNamara's much vaunted cost reduction program, hailed in the Johnson administration as an example for all good government departments to follow.

Admittedly, there is much to be said on both sides of the argument for or against the McNamara claim of having saved \$14 billion in defense costs over a five-year period. The argument is an accountant's nightmare at best. It cannot be denied that McNamara has conserved large sums that otherwise might have been spent and has set a good example for other government big spenders.

But on the whole the concept that McNamara has wrought a miracle in defense costs is a delusion and a dangerous one, at that. It is a dangerous delusion because it seems to say that the more the government spends the more it saves, and for the added reason that McNamara's "savings" are used as justification for going ahead with the Great Society at home as if there were no war.

A House Armed Services subcommittee headed by Porter Hardy Jr., D-Va., has established that the biggest item of "savings" claimed by McNamara is a 25 percent figure arbitrarily applied to all defense contracts that have been shifted from a cost-plus or negotiated basis to a competitive bid basis. This reduction has even been claimed in the mammoth TFX plane contract awarded to the highest bidder at \$400 million higher than the next highest bid.

Perhaps the outstanding, if not typical, example of cost reduction concerns the Series A Bullpup missile eliminated from defense costs at a savings of \$50 million. Series B of

the Bullpup then came along and is gobbling up the entire \$50 million.

These disclosures would be less distressing if there had been less dissembling on how an independent firm of accountants had audited the McNamara claims and found them justified. What happened was that a firm of accountants made a general management survey and found that the techniques for cost reduction were probably reasonably based. But the firm of accountants did not confirm the authenticity of any claimed specific savings in any single project.

Accountants of the Hardy subcommittee tested out \$1.3 billion of the claimed \$5 billion saved in fiscal years 1964 and 1965. These accountants found that 37 percent or \$449 million in claimed savings could not meet the criteria the Defense Department itself had set, another 30 percent could not be proved, and the remaining 30 plus percent could be questioned as specious.

This is probably too harsh a judgment, but it does suggest that there is something wrong somewhere with the accounting.

Now all of this is not to say that McNamara has been a bad secretary of defense, or that he has failed to avoid many expenditures that were avoidable. He should get due credit for that.

It is the superman pretense, badly supported, which offends congressmen and causes them to think they are being bamboozled by high pressure public relations methods. Each year McNamara holds a televised press conference to outline his achievements in cost reduction. Flanked by numerous charts, he tells his story with firm, competent fluency in his well known rapid-fire and non-interruptable manner. This all goes out

over the nation's television stations to create the impression that the United States is getting its greatest bargain in defense in all its history and should be duly grateful.

There is neither time nor competence among his questioners for concurrent analysis of what McNamara claims in these presentations, but the Hardy subcommittee has now taken care of that if anyone will listen.

The trouble is that hardly anyone listens, and the delusion persists that McNamara

is saving all this money so it is perfectly OK to go ahead with non-defense projects which have already gotten completely out of hand.

How badly these expenditures have gotten out of hand is currently illustrated by the unexpected and hidden costs of the Medicare program, which only now are coming to light. As the cost of other programs rises, the time will soon come when even McNamara cannot claim to have saved enough money to defray them.